Slovenia

BUSINESS FORUM
LONDON 22-24 APRIL 2001

Investment Profile 2001

Held on the occasion of the
EBRD ANNUAL MEETING

Contents

This document was drafted by the EBRD Country Promotion Programme team assisted by Bank staff and the Slovenian authorities. It was prepared with information available up to March 2001, derived principally from the EBRD, the Ministry of Finance of the Republic of Slovenia, the EU, the EIU, Reuters and the World Bank. Every effort has been made to ensure accuracy. However, no responsibility is accepted for the contents of this document.
ISSN 1470-3963

Foreword

Ten years ago Slovenia, a country positioned between the Alps and the Adriatic Sea, the Pannonian plain and the mysterious Karst, gained its independence. The strong consensus for independence provided the impetus needed for the ongoing economic and social transformation. Today, the progress achieved can be seen in various dimensions and is captured by the relatively high income per capita and the fact that Slovenia regained income levels higher than those before independence.

The relatively favourable initial conditions, close commercial and financial links with Western European countries and the coherent vision and agenda were crucial to the successful reform effort. The commitment to macroeconomic and financial stability was critically important. During the last decade, the domestic financial system has been strengthened and inflation has been tamed. As the underlying external position was always strong the economy has regained the confidence of and access to international capital markets, and has grown substantially. The foreign debts inherited from the former Socialist Federal Republic of Yugoslavia have been formally taken over by the Republic of Slovenia and are being regularly repaid, although the division of the assets of the late Federation among the successor states so far remains unresolved. In recent years, great emphasis has been placed on the EU accession process and the countrys legal framework is now practically harmonised with the *acquis communautaire*.

Given its geographical and historical position, Slovenia is a natural gateway for trade with south-eastern Europe. Building on the traditional good commercial links with the republics of the former Socialist Federal Republic of Yugoslavia and their common background, Slovenia is well placed to intensify and deepen international cooperation, as well as to support the economic recovery of the region by mobilising technical and financial assistance.

Prospects for the future are sound, although some important tasks that will offer a firm foundation for future growth and development remain to be accomplished. The EU accession process poses important macroeconomic policy challenges that call for determined medium-term fiscal prudence and a structural policy agenda. The time has now come to focus more closely on the second generation of reforms. However, Slovenia is well on the way to catching up with the other advanced countries. As we all know, the journey is a long one; but as the road we started 10 years ago has proved to be the right one, we now need to proceed along it quickly and decisively.

Anton Rop
Minister of Finance

Introduction

Slovenia is one of the most economically advanced and prosperous countries in central Europe. Its GDP per capita is the highest in the region and its economy has enjoyed uninterrupted steady growth since 1993. The country is also a stable and functioning parliamentary democracy. The new centre-left government that took office at the end of 2000 has a stable majority in parliament and is committed to reform. Membership negotiations with the EU have been progressing well and the country is expected to be among the first to accede to the Union. In 2000, the government adopted a special programme aiming to increase FDI inflows to the economy.

Political and economic transition

Slovenia declared independence in 1991 and received international recognition in January 1992. In the 1990s, Slovenian political life was dominated by the centre-left Liberal Democracy of Slovenia (LDS), which governed the country between 1991 and June 2000. Between June and November 2000, Slovenia had a centre-right government with the participation of the SLS+SKD Slovene People's Party and the Social Democratic Party (SDS). Following the most recent elections, held in November 2000, the LDS regained power and formed a coalition government of centre-left parties based on a broad majority in the parliament. Janez Drnovsek, who held the post of Prime Minister between 1991 and June 2000, became the premier again. The new administration plans to place special emphasis on privatisation, encouraging foreign direct investment (FDI) and public administration reform, as well as on completing EU accession negotiations by 2002.

Challenges met and challenges ahead

Slovenia's macroeconomic reform effort has been among the best in central and eastern Europe: the country has experienced steady economic growth since 1993 and has made substantial progress in reducing inflation and keeping fiscal spending and the current account in balance.

In the enterprise sector, at the beginning of 2000 the government adopted a National Scheme for Attracting FDI with the aim of improving the investment climate and reversing the trend of declining FDI volumes. The privatisation of small and medium-sized assets is almost complete, though the state still holds shares in around 180 mainly large companies. Two of the largest banks, and the majority of public infrastructure, are still predominantly state-owned, but plans for a new wave of privatisation in these sectors were prepared in 2000. (See *Investment climate* below.)

Slovenia has a well-developed transport and telecommunications infrastructure. In 2001, the government intends to enact the new Telecommunications Act that will create the conditions for liberalisation of the sector. The country is also planning to proceed with the liberalisation, regulation and privatisation of public utilities in the coming years on the basis of the Energy Act adopted in 1999. (See *Major sectors of the economy* below.)

Chemicals, electronics, retail and telecommunications have been the fastest growing sectors in Slovenia in recent years. Although the EU is the country's major trading partner, Slovenian enterprises have been increasingly following the strategy of expanding in markets throughout the former Yugoslav republics, both in terms of trade and investment.

In the financial sector, a further consolidation and privatisation of banks and insurance companies is expected to take place in the coming years. In 1999, the government approved the privatisation plan for two large state-owned banks accounting for 40 per cent of assets in the banking system. Following the adoption of a new insurance act in January 2000, Slovenia has opened up its insurance sector to FDI. (See *Financial sector* below.)

International relations and regional co-operation

Since independence Slovenia has oriented its foreign and security policy towards Euro-Atlantic structures. Slovenia has been a member of the UN and the Organisation for Security and Co-operation in Europe since 1992, and a member of the Council of Europe, the IMF and the World Bank since 1993. Slovenia is a member of the World Trade Organisation. The country is an associate member of the Western European Union and has been an active participant in the NATO Partnership for Peace programme. Slovenia's most important foreign policy goal is to join the EU. The country has an Association Agreement with the EU in place and is currently negotiating accession. (See *EU integration* below.)

Slovenia strives to contribute to regional stability and co-operation by participating in the Central European Initiative (CEI), the South East European Co-operative Initiative (SECI), the Royaumont process and, most recently, the Stability Pact for South-Eastern Europe. In January 1996 it became a member of the Central European Free-Trade Agreement (CEFTA). It engages in trilateral co-operation with Italy and Hungary and seeks to strengthen economic and political relations with Bosnia and Herzegovina, FYR Macedonia and Albania.

EU integration

Slovenia has one of the most advanced economies among the candidates for EU membership and is also a stable democracy. This makes the country a front runner for EU accession.

Slovenia signed an Association Agreement with the EU in 1996 and opened accession negotiations in 1998. Fourteen of the 31 chapters under negotiation have been provisionally closed (fisheries, common foreign and security policy, small and medium-sized enterprises, science and research, education and training, industrial policy, statistics, telecom and information technologies, consumer and health protection, company law, freedom to provide services and economic and monetary union).

Three pre-accession instruments financed by the EU have been made available to assist Slovenia in its pre-accession preparations: the PHARE programme; ISPA, which finances infrastructure projects in the fields of environment and transport; and SAPARD which provides aid for agriculture and rural development. In the years 2000-02 the basic total financial assistance to Slovenia will amount annually to € 25 million from PHARE, € 6.4 million from SAPARD and € 10.8-21.7 million from ISPA. Two important PHARE initiatives undertaken in 2000 involved co-funding the Energy Saving Fund Scheme jointly with the Slovenian government, and providing assistance to the Trade and Investment Promotion Office (TIPO), which supports Slovenian exporters and promotes Slovenia as a destination for foreign investment. Slovenia's SAPARD plan is based on two major priorities: improvement of production and marketing structures in agriculture and food processing (75 per cent of the EC funds), and economic diversification and improvement of rural infrastructure (24 per cent of EC funds). Regarding ISPA, two project proposals for financing in 2000 were adopted by the Commission. One concerned the modernisation of selected railway sections, and the other technical assistance for environmental studies.

In November 2000, the EU published its regular report on Slovenia's progress towards accession. The main issues identified by the document are as follows:

Progress made:

- Macroeconomic stability.
- Fiscal and external balances under control.
- Good progress on transposing the EU law.
- Progress in judicial reform.
- Should be able to cope with competitive pressure and market forces within the EU in the near future.
- The legal and institutional framework for a market economy is largely in place.

Progress yet to be made:

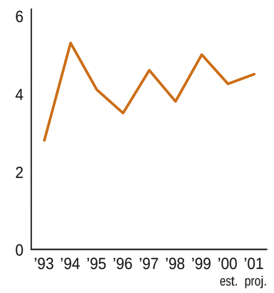
- The privatisation of banks should be accelerated.
- More progress is needed in the reform of the civil service.
- The dominance of the state in some industrial sectors and in the financial sector should be reduced.
- Foreign investment should be further encouraged.
- There is a need for a speedier judicial process.

For the full text of the latest EU Progress Report on Slovenia and other enlargement related information see:
www.europa.eu.int/comm/enlargement/slovenia/index.htm

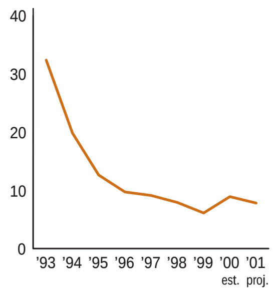
Information on the PHARE programme is available on the EU Commission's web site:
www.europa.eu.int/comm/enlargement/pas/phare/index.htm

Economic summary

GDP at constant prices
% change

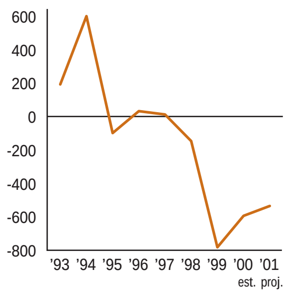


Inflation
*Annual average, % change**

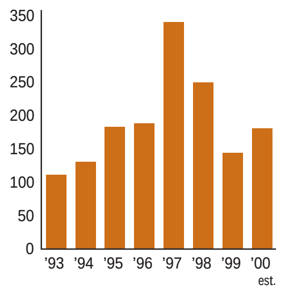


* Retail prices as a measure of inflation until 1998, after 1998 consumer index

Current account
US$ millions



Total FDI
US$ millions, cash receipts, net



Source: Ministry of Finance, Bank of Slovenia, IMAD estimates (Autumn report 2000)

In recent years, the Slovenian economy has been increasing its capacity to integrate successfully into the EU single market, while simultaneously maintaining sustainable economic growth. In 2000, the GDP growth rate continued to be around 4 per cent, while the current account and the fiscal deficit remained under control. Ongoing or planned structural reforms such as the restructuring of corporate and banking sectors, the acceleration of privatisation, and the liberalisation of utility services, will enable the economy to increase its growth potential in the years ahead.

GDP growth

Slovenia has maintained a high rate of economic growth in the last few years, recording GDP growth of an estimated 4.25 per cent in 2000, following a 5 per cent rate in 1999. The main driving force for growth was foreign demand resulting from high growth in the EU countries, which are Slovenia's main trading partners. The slight slowdown from 1999 was largely due to the slackening of domestic demand. Real GDP growth is projected to accelerate to around 4.5 per cent in 2001. A slightly subdued rise in foreign demand and a strengthening of domestic demand will be the driving factors for growth.

Inflation

The annual average rate of inflation increased in 2000 to 8.9 per cent. The 1999 inflation was largely fuelled by domestic factors, namely the introduction of VAT. Conversely, in 2000, the prime reasons for the increase in inflation were external factors, such as high oil prices and the strong dollar that pushed up import prices.

Provided world oil prices fall gradually in 2001 and the euro regains some strength against the US dollar, the direct external pressure on domestic consumer prices will weaken substantially in 2001 as compared to 2000. Based on these assumptions, the annual average inflation rate is expected to fall to 7.8 per cent, according to the IMAD's estimate in the Autumn Report 2000.

Current account

The current account deficit had narrowed from 1999 to 2000, namely from US$ 782 million in 1999 to US$ 594 in 2000, according to the preliminary data of the Bank of Slovenia. The reasons for the good performance are increased real exports of goods and services on the back of robust growth in the EU and the decline in imports as domestic demand declined. However, the positive trend has been somewhat offset by changes in the terms of trade, namely by the strong US dollar that inflated import prices and also by high oil prices. The current account deficit was largely financed by the issuance of Eurobonds and through private sector borrowing.

For 2001, despite a forecasted slight slowdown in exports of goods and services and growing imports, the current account deficit is likely to decrease due to the weaker US dollar and a drop in oil prices. The current account deficit is expected to be around 2.8 per cent of GDP in 2001, according to IMAD's estimate in the Autumn Report 2000.

Foreign direct investment

Slovenia has received a relatively low amount of FDI over the last few years: total FDI (cash receipts, net) amounted to US$ 144 million in 1999, and US$ 181 million in 2000 (preliminary data), according to the Bank of Slovenia. Measures aimed at attracting FDI adopted early in 2000 and plans for privatisation of financial sector enterprises and utilities are likely to bring some increase in the years ahead. (See *Investment climate* below.)

Government balance

The level of general government expenditures as a percentage of GDP has been relatively stable in the last eight years, at around 43 per cent of GDP, increasing slightly to around 44 per cent in 1998. According to the Slovenian Ministry of Finance, the general government deficit was equivalent to 1.36 per cent of GDP in 2000. Increases in expenditure, driven by a rise in public sector wages and pensions linked to inflation, as well as lower than expected VAT receipts are responsible for the growing deficit.

In the next four-year period, the government's fiscal policy goals are to gradually reduce the general government deficit and to achieve a slight surplus by the end of the period. The reform of public expenditures and direct taxation policies are planned to support these fiscal policy goals.

Exchange rate

The tolar weakened in real terms in 2000, thus improving the price and cost effectiveness of Slovenian manufacturing. The tolar has depreciated in real terms against the Croatian kuna and CEFTA currencies. Assuming monetary policy remains tight and the government presses ahead with its privatisation policy, resulting in increased capital inflows, the Slovenian currency is expected to strengthen in real terms in 2001 and 2002.

EU convergence issues

The latest progress report of the EU Commission concluded that Slovenia has a fully functioning market economy and should be able to cope with the competitive pressures and market forces within the Union "in the near term". Slovenia's macroeconomic record was assessed as among the best in central and eastern Europe, with a budget under control, a stable currency and a steadily growing economy. However, the Commission encouraged Slovenia to work towards increasing the share of the private sector in the economy through further privatisation, especially in the banking and utilities sectors. Another measure identified for action was deregulation and further improvement in the legal environment for enterprises. (See *EU integration* above.)

Credit ratings

Standard & Poor's sovereign ratings, January 2001

Local Currency			Foreign currency		
Long-term	Outlook	Short-term	Long-term	Outlook	Short-term
AA	Stable	A-1+	A	Stable	A-1

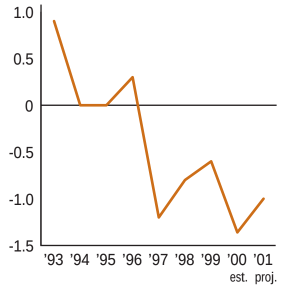
Moody's country ceilings for foreign currency ratings, January 2001

Bonds and notes		Bank deposits	
Long-term	Short-term	Long-term	Short-term
A2	P-1	A2	P-1

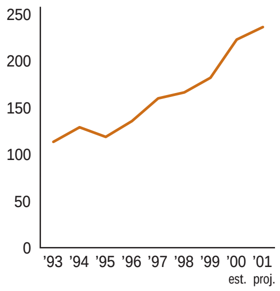
Fitch IBCA foreign currency sovereign ratings, January 2001

Long-term	Short-term
A	F1

General government balance
% of GDP



Exchange rate
Annual average, tolar per US$



Source: Ministry of Finance, Bank of Slovenia, IMAD estimates (Autumn report 2000)

Selected economic indicators

	1993	1994	1995	1996	1997	1998	1999	2000 est.	2001 proj.
GDP at constant prices (% change)	2.8	5.3	4.1	3.5	4.6	3.8	5.0	4.25	4.5
Inflation[1] (annual average % change)	32.3	19.8	12.6	9.7	9.1	7.9	6.1	8.9	7.8
Current account (in US$ millions)	192	600	-99	32	12	-147	-782	-594	-535
General government balance (% of GDP)	0.9	0.0	0.0	0.3	-1.2	-0.8	-0.6	-1.36	-1
Trade balance (in US$ millions)	-154	-336	-953	-825	-776	-789	-1,245	-1,230	-1,005
Total FDI (in US$ millions, cash receipts, net)	111	131	183	188	340	250	144	181	na
External debt stock (US$ millions)	1,873	2,258	2,970	4,010	4,176	4,959	5,491	5,800[2]	na
Unemployment (% of labour force)	9.1	9.1	7.4	7.3	7.4	7.9	7.6	7.2	7.0
Exchange rate, annual average, tolar per US$	113.2	128.8	118.5	135.4	159.7	166.1	181.8	222.6	236.0
Gross reserves, excluding gold (end-year, US$ millions)	770	1,480	1,802	2,279	3,297	3,573	3,059	3,110	na

Note: 1) Retail prices as a measure of inflation until 1998, after 1998 consumer index
2) September 2000
Source: Ministry of Finance, Bank of Slovenia, IMAD estimates (Autumn report 2000)

Investment climate

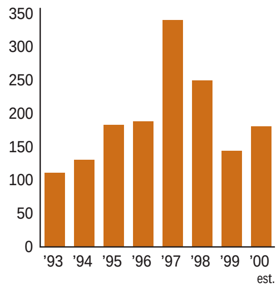
A well functioning administration, the low level of corruption, a highly skilled labour force and a high degree of industrialisation have all contributed to make Slovenia's investment climate relatively attractive. The government's new programme for FDI promotion adopted in 2000 and plans to accelerate the privatisation process, primarily in the banking and utility sectors, are likely to increase FDI inflows to the country in the coming years.

Foreign direct investment

Following significant FDI inflow in 1997 and 1998, there was a downward trend in 1999 and 2000. After record net FDI inflows in 1997 totalling US$ 340 million, the amount declined to US$ 144 million in 1999, and then rose in 2000 to US$ 181 million, according to the Trade and Investment Promotion Office.

At the beginning of 2000, for the first time the government adopted a National Scheme for Attracting FDI in 2000, driven by an acute need to improve the investment climate and reverse the trend of dropping FDI flows. The government's target is to increase annual net FDI inflows from the current 1 per cent of GDP to 3 per cent in the next four years, with more incentive programmes to follow. The government's commitment to attracting more FDI to Slovenia is expected to enhance Slovenia's image as an attractive investment location in the eyes of potential investors, and highlight the country's comparative advantages. So far, Slovenia's geographical location at the heart of Europe with good communication and transport infrastructure, its relatively well-developed and technologically advanced industry, its well-educated labour force, the openness of its economy and its political and economic stability, have passed practically unnoticed.

Total FDI
US$ millions, cash receipts, net



Source: Ministry of Finance, Bank of Slovenia, IMAD estimates (Autumn report 2000)

Sectors of the Slovenian economy deemed most attractive for greenfield inward investment are electronics (especially

Top 10 sources of investment, end of 1999

Country	%
Austria	41.8
Germany	12.8
France	11.5
Italy	5.9
Czech Republic	4.2
USA	4.0
Netherlands	3.9
Switzerland	3.9
UK	3.8
Croatia	3.3
Others	4.7

Source: Trade and Investment Promotion Office

Top 10 investments

Company	Country	Sector	Investment	Size of investment, US$m
Goodyear	USA	tyres	Sava Tires & Goodyear	100
Sarrio	Italy	paper, cardboard	Sarrio Slovenija	75.4
Renault	France	cars	Revoz Novo Mesto	54.0
Brigl & Bergmeister	Austria	paper, cardboard	Papirnica Vevce	45.1
OMV	Austria	oil derivatives trading	OMV-Istrabenz Koper	31.8
Vipap Videm Krsko	Czech Republic	paper, cardboard	Icec Videm Krsko	30.3
Cooperative Cosun, SFIAR	Netherlands, Italy	sugar	Tovarna Sladkorja Ormoz	26.4
Pfleiderer	Germany	isolation materials	Krka Novoterm	23.3
Henkel	Austria	washing powder, cosmetics	Henkel-Zlatorog Maribor	23.2
Reemtsma, Seita	Germany, France	cigarettes	Tobacna Ljubljana	20.6

Source: Trade and Investment Promotion Office, December 2000 production of components for the electronic and car industries), chemicals, transport equipment and tourism. However, Slovenia is not regarded as competitive in labour-intensive and space-intensive industries.

Investment policy and incentives

In adopting the Scheme for Attracting FDI in 2000, the government's intention was to encourage investment projects that create at least 100 new jobs through the provision of a financial grant. In cases where the investment is to be made in a less developed region or in an R&D department, the established threshold is 20 new jobs to be provided over a two year period. The actual amount of the grant is directly negotiated between the investor and the government, but on average investors have been awarded grants in the range of US$ 2,095-6,290 per new job. In 2000, three foreign-owned companies qualified for such grants and total funding of US$ 1.86 million was allocated.

The standard incentive package contains measures designed to facilitate investment in Slovenia. Thus foreign investors can benefit from:

- easy access to industrial sites;
- straightforward procedures for setting up a business;
- fiscal and other incentives; and
- more investor-friendly legislation in areas such as labour and the financial sector.

Municipalities often offer different forms of incentives, which are negotiated on a case-by-case basis. These incentives may include free industrial sites, utility connections and holidays from local taxes.

Under the current Participation of Workers in Management Act, workers' representation on the supervisory board in companies with more than 1,000 employees is rather high – at least 50 per cent of the board members. This requirement has been blamed for sluggish privatisation, post-privatisation, improvements in corporate governance and restructuring, and is seen as a deterrent to FDI. Legislation in this field is due to be amended.

Some progress has been made in the area of **capital movements and payments** in recent years with the adoption of the Foreign Exchange Act in March 1999. Secondary legislation adopted in September 1999 provides mainly for a further easing of existing restrictions in the field of portfolio investments by non-residents, operations on current and deposit accounts with domestic financial institutions by non-residents, and physical import or export of cash. Restrictions remain mostly on short-term transactions (money market securities transactions, operations on current and deposit accounts with financial institutions abroad, and physical import or export of cash), but also on portfolio investments and acquisition of real estate by non-residents. Non-residents may acquire the right to own real estate pursuant to the provisions of a law or an international agreement, under condition of reciprocity. According to an international agreement, citizens of EU member states who have permanently resided on the territory of the Republic of Slovenia for a period of three years have the right to purchase property on a reciprocal basis. However, subsidiaries of foreign companies have full national treatment and may acquire the right to own real estate under the same conditions as all other residents.

Slovenia has enacted highly advanced, comprehensive legislation for the **protection of intellectual property** which reflects the most recent global developments such as the TRIPS agreement (Trade-related Aspects of Intellectual Property) and various EU directives. The Slovenian Intellectual Property Act is compatible with EU standards with only a very few exceptions. The duration of the protection of audio-visual products and the introduction of supplementary production certificates are outstanding issues.

In 2000, Slovenia made substantial progress in liberalising and **opening up its insurance market** to foreign companies. Respective Acts on insurance and on ownership transformation of insurance companies were adopted in January 2000. However, implementation of the latter has been delayed. The insurance act establishes a framework for safe and prudent provision of insurance services. It also foresees the lifting of restrictions on the establishment of subsidiaries and branches of EU companies, with transitional periods for life and property insurance.

An Employment and Work of Aliens Act adopted on 1 January 2001 brought Slovenian regulations closer towards EU practice in this area.

Special Economic Zones

There are currently two special economic zones (SEZs) offering tax benefits, one located in the port of Koper and the other in Maribor. The Law on Special Economic Zones, which is to be applied until 1 January 2010, determines the conditions and method for establishing SEZs, the type of business activities permitted, and conditions for their performance. Business organisations operating in the SEZs are required to export at least 51 per cent of their production. They should also perform new operations, not reallocate existing operations from other parts of Slovenia, and increase employment. Imports into the SEZs are subject to a special customs regime and the following tax allowances are offered:

- 10 per cent corporate income tax rate (normal tax rate is 25 per cent);
- investments in tangible assets in the free zone are entitled to a tax allowance amounting to 50 per cent of invested resources;

and

- taxable base reduction amounting to 50 per cent of salaries of apprentices and workers formerly unemployed for at least six months.

Trade and Investment Promotion Office (TIPO)

TIPO – the Trade and Investment Promotion Office of Slovenia – offers a full range of services free of charge tailored to various prospective and existing foreign investors:

- Gives information on legislation, taxes and incentives;
- Provides information on Slovenian suppliers;
- Organises fact-finding missions;
- Identifies industrial sites to suit investors' needs;
- Provides links with industry and local authorities;
- Offers advice and help in practical matters; and
- Maintains a partnership with investors even when the project is at an advanced stage of implementation.

TIPO can be contacted as follows:

Kotnikova 28, SI-1000 Ljubljana, Slovenia
Tel. (+386-1) 478 3557
Fax (+386-1) 478 3599
E-mail: ***tipo@gov.si***
Web site: ***www.investslovenia.org***

Taxation and pensions

New laws on **VAT and excise duties** were adopted in December 1998 with effect from 1 July 1999. The general VAT rate for goods and services is 19 per cent. There is a reduced rate of 8 per cent which applies to food products, medicines and medical equipment, building, reconstruction and maintenance of flats and houses, public passenger transport and accommodation in holiday facilities. Activities of public interest (health, social security, education, sports, religious, cultural and other activities) are exempt from VAT. Laws on VAT and excise duties will be amended in 2001 with the aim of harmonising with EU requirements.

The **corporate tax rate** of 25 per cent is among the lowest in Europe. Investment allowances may further reduce the actual tax rate. A reduced corporate tax rate applies to companies operating in Special Economic Zones. Provisions concerning the common system of taxation applicable to mergers, divisions, transfer of assets, exchange of shares and parent companies and subsidiaries of different member states will be incorporated. They will apply from the date Slovenia enters the EU.

The new pension law entered into force in January 2000, but its full implementation will take several years. The current pension system will be replaced with a three-pillar arrangement. The state pension fund would be retained as the first pillar, and the second pillar would be a compulsory, separate pension fund, either public or private but in either case publicly supervised. The third pillar would be voluntary, offering free additional insurance through a pension fund or insurance company. In addition, the retirement age has been increased to 65 for men and 63 for women. Percentages payable by employers (8.85 per cent) and employees (15.50 per cent) were not changed.

Markets and trade

Slovenia acceded to the General Agreement on Tariffs and Trade (GATT) in 1994 and is a founding member of the World Trade Organisation (WTO). Its average applied tariffs are 10.4 per cent on all products, 13.3 per cent on agricultural products, and 9.5 per cent on industrial products.

Slovenia's major trade partner is the EU, with which an Association Agreement is in place. Custom duties in trade with the EU are gradually being lifted under the terms of the Association Agreement. In May 2000, Slovenia and the EU reached an agreement on partial liberalisation of trade in agricultural products. Under the agreement, which took effect in October 2000, Slovenia can freely export a specified range of agricultural products to the EU, while the EU can export an agreed range of products to Slovenia. A law on customs tariffs, which was adopted in July 2000 and came into effect in January 2001, harmonises most external tariffs with those in the EU.

Slovenia is a member of CEFTA, which presently includes six other countries (Bulgaria, the Czech Republic, Hungary, Poland, Romania, and the Slovak Republic). It has concluded free trade agreements with countries such as the Baltic States, Turkey, Croatia, FYR Macedonia and Israel, and an agreement on Economic Cooperation with Bosnia and Herzegovina, as well as the agreement with EFTA.

Structure of international trade in 1999

	Exports US$ million	Exports %	Imports US$ million	Imports %
Germany	2,626	30.7	2,072	20.5
Italy	1,176	13.7	1,686	16.7
Croatia	590	9.9	444	4.4
Austria	623	7.3	805	8.0
France	491	5.7	1,100	10.9
USA	258	3.0	293	2.9
Bosnia-Herzegovina	239	2.8	55	0.5
Hungary	239	2.8	267	2.6
Russian Federation	209	2.4	159	1.6
United Kingdom	170	2.0	307	3.0
Poland	156	1.8	111	1.1
Total	**8,546**	**100**	**10,083**	**100**

Source: IMAD, 2000

Privatisation

While the majority of "socially owned" enterprises had been privatised by the end of 1998, the state still holds shares in around 180 mainly large companies (80 with a majority interest and 100 with a minority interest). These shares were transferred to the state-owned Slovene Development Corporation (SDC) with a mandate to liquidate or privatise the enterprises. The largest state-owned companies pending privatisation are the national telecoms operator, Telekom Slovenije, and the country's two largest banks Nova Ljubljanska Banka (NLB) and Nova Kreditna Banka Maribor (NKBM). (See *Major sectors of the economy* below.) The government has also committed to privatising up to 45 per cent of shares in energy generation and distribution companies. However, a final decision on the timing and method of their sale has not yet been reached.

For the mostly loss-making enterprises in the aluminium, steel and oil sectors, the SDC is undertaking rehabilitation including the provision of subsidised loans. In the steel industry, the government adopted a restructuring programme in March 2000 that sets out a timetable for the restructuring and privatisation of four major steel companies. Under the plan, companies are to be fully privatised by the end of 2002. Two programmes have been adopted to ensure sustainable development and enhanced competitiveness in the textile and footwear sectors. Total funding for 2000 amounts to € 5.6 million for the textile industry and € 4.3 million for the footwear industry.

Major sectors of the economy

Slovenia's economic structure compares favourably with the EU and other EU candidates in the region. There has been a steady expansion of business, financial and other services, while the share of agriculture has shrunk considerably (around 4 per cent of GDP). In the 1990s, Slovenian industry has undergone a transition process: the manufacture of basic metals, metal products, and machinery and equipment declined, while output of chemicals, electrical goods, food and wood products increased. Several Slovenian enterprises have been following the strategy of expanding in markets throughout the former Yugoslav republics in recent years.

Telecommunications

Slovenian customers are served by a highly developed and extensive telecoms network. At present, the country has an average of 43 fixed telephone lines per 100 people while the EU average is 44 telephone lines per 100 inhabitants. The number of mobile phone users in a country with a population of 2 million exceeded 1 million by the end of the 2000, while 250,000 people are using the Internet.

The fixed line segment of the market is preparing for an important transformation process starting from 2001, as the legislation for liberalisation and plans for the partial sell-off of the state owned monopoly are being finalised. At the same time, the mobile telephony and Internet market, which are open for competition, registered a growing number of customers and operators in 2000.

In the first quarter of 2001, Slovenia plans to adopt a new law on telecommunications that will be fully harmonised with EU legislation. The law will further liberalise access to six telecommunications networks and the provision of services and define the licensing procedures and pricing rules.

The government has decided on the partial privatisation of Telekom Slovenije (TS), the state-owned fixed line, although the method and the timetable of the privatisation are still under discussion. One possible plan foresees offering the core business to a foreign strategic partner.

In its latest progress report, the European Commission noted the progress taken in implementation of the telecommunications *acquis*. Decrees have been adopted on granting concessions for the use of radio frequencies for mobile telephony services and also for modifying the tariff system for fixed voice telephony. However, the report noted the importance of introducing the new telecommunications law, now in progress, and also called for further liberalisation of postal services.

Telekom Slovenije (TS)

TS is 66.5 per cent state-owned. It has a monopoly in the fixed line segment of the market and provides local, long-distance and international voice telephone, telex, public payphones, global broadband and multimedia telecommunications including Internet access, data telecommunications, and various value-added services. TS is a highly successful company that has recorded impressive profits and undertaken a far-reaching modernisation of its services over the last few years.

Internet services

Slovenia has a small but dynamically growing Internet market. According to a survey, the number of users is around 250,000, although most of them use the Internet for non-business activities. In 1999 about 10 per cent of Internet users shopped on the Internet, but only 20 per cent of them on Slovene web sites. However, legislation on E-commerce has been approved by the government and, once it gains parliamentary approval, is likely to help the expansion of online shopping.

E-banking is more developed than E-shopping in Slovenia: 12 per cent of users used the Internet for banking services in 1999. Half of the large companies surveyed claimed to conduct banking transactions on the Internet: about 33 per cent used the Internet to pay bills, while 20 per cent received orders on-line.

The largest player on the Internet market is SiOL, a subsidiary of TS. Its major competitor is Telemach, an Internet and applications service provider that has recently developed an extensive fibre-optic network suitable for full-service multimedia communications. The first company to offer E-commerce was EON, a consortium of Slovenian Post and S-Net and the Telemach network. The company has created a platform for secure transactions and encryption for online payments. EON was one of the first companies to provide Wireless Application Protocol (WAP) access and services. Slovene technology company Zaslon is the leader in the E-banking market and has created an Internet infrastructure for all the major banks and other financial institutions.

In recent years, the company has implemented a DEM 200 million modernisation programme. In 1999 the digitalisation of TS's PSTN reached 93.8 per cent. TS also announced plans to expand in south-eastern Europe. According to preliminary assessments, TS recorded a turnover of almost SIT 38 billion (€ 176 million) in the first half of 2000, a 13 per cent increase compared to the same period in 1999. The profit is said to total between SIT 2 billion (€ 9.3 million) and SIT 3 billion (€ 13.9 million).

Mobile telephony

Currently there are four competing mobile network operators in Slovenia. Mobitel, a subsidiary of TS, has a dominant position with around 1 million subscribers at the end of 2000. The second company is SI.mobil, in which Swedish operator Telia had a 25 per cent stake, while Slovenian companies held the rest. In February 2001 Austria's Mobilkom mobile operator acquired a 75 per cent stake in SI.mobil. In December 2000, the government awarded mobile telephony licences for the GSM 1800 MHz frequency to Western Wireless (US), Mobitel and Simobil. The fourth mobile operator is Debitel, reselling Mobitel's lines.

Energy

The energy sector accounted for 2.9 per cent of total GDP in Slovenia in 1999. Power production in the same year had the following pattern: 28 per cent hydro, 33 per cent thermal and 38 per cent nuclear. The country has one nuclear power plant at Krsko that is jointly owned with Croatia. In 2000 the Krsko plant underwent a major refurbishment project.

In September 1999, the Energy Act was adopted, providing the conditions for the opening of the markets for electricity and gas and the privatisation of the energy sector. The electricity market will be opened to large users by April 2001 and progressively to smaller customers. Users taking more than 41 kW from the network at one single point (most of the industry and the service sector – schools, kindergartens, etc) will be allowed to select power providers independently from 2001, but only in Slovenia. On the supply side, competition through imports will be allowed from January 2003. In May 2000, the government adopted additional supporting legislation that provides for the establishment of an independent electricity regulator. While electricity tariffs approach cost recovery levels, some cross-subsidisation from commercial to residential customers remains. Under the energy bill, Slovenia set up the Agency for Energy to supervise the power supply and gas distribution market performance as an independent agency within the Economics Ministry.

Household appliances: Gorenje

Gorenje is one of Slovenia's leading and best-known companies. The company's export orientation is extremely high as almost 90 per cent of its products are sold abroad. The main export destinations are the EU countries, responsible for 80 per cent of export sales, and neighbouring central European countries. The group consists of 37 companies, 13 of which are based in Slovenia and 24 of which are foreign subsidiaries. Gorenje's best-known goods are fridges, kitchen ranges, dishwashers and washing machines. In September 2000, the company's plant experienced a devastating fire that caused a 15 per cent loss of the total production potential. The government immediately provided € 2.9 million in aid to Gorenje, which rapidly started to reconstruct the damaged facilities. Before these events, the company had been experiencing an exceptional sales boom in 2000. Figures for the first half of the year show a 17 per cent increase as compared to the same period in 1999. July 2000 had the highest monthly sales volume recorded in the 50 year history of the company. Like other large Slovenian companies, Gorenje is also strengthening its role in the region. In 1999, it opened a production facility in Sarajevo (Bosnia and Herzegovina) and is planning to complete another plant in the Czech Republic by the end of 2000.

Retail trade

The Slovenian retail sector has experienced some large investments in recent years, including the entry of Austria's Interspar and France's E. Leclerc. The leading local retail group, Mercator, has been consolidating its position through domestic acquisitions and rapid expansion in the neighbouring countries. Slovenian retailers are said to be among the best prepared firms for competition on the internal market.

Mercator has around 900 shops country-wide and possesses a 32 per cent share in the Slovenian retail market. The company is pursuing a strategy of creating a network of retail operations in south-eastern Europe. In May 2000 it started constructing a shopping centre worth DEM 45 million in Sarajevo, the capital of Bosnia and Herzegovina, designed to be the most modern shopping centre in the region. Mercator entered the Bosnia and Herzegovina market in 1999, when Marketing Centre Sarajevo and Mercator set up a joint venture. Major products exported to Bosnia and Herzegovina include household appliances, mineral water, canned meat products, and furniture. Mercator also has a business co-operation contract with Austrian sports retailer Intersport. The two companies will jointly step into the regional markets, as they have been granted licences to open Intersport shops in Croatia and Bosnia and Herzegovina. To finance its expansion plans, in September 2000 Mercator signed an agreement for long-term credit worth € 40.5 million with a syndicate of foreign banks under the leadership of Austria's Raiffeisen Zentralbank.

The second largest retail group is Spar Slovenia, which has an almost 15 per cent market share. In nine years Spar has opened four shopping centres (two in Ljubljana, one in Celje and one in Maribor) and another 13 Spar shops. The company's latest and to date largest project is the Europark shopping centre in Maribor, opened in August 2000. With an area of 95,000 square metres and 63 shops, this is the largest and most modern shopping centre in the country. The mall is also expected to attract customers from Croatia and even Austria. Spar Slovenia is 80-per-cent owned by Swiss firm Aspiag and 20 per-cent owned by Mercator, and is incorporated in the Spar International concern, which is based in Amsterdam.

The latest entrant to the market is E. Leclerc, one of the best known global players in the retail world. E. Leclerc, based in France, is an association of independent retailers and has outlets in France, Spain, Portugal and Poland. The new shopping centre in Ljubljana that opened in June 2000 is the company's third largest outlet. E. Leclerc has big plans for Slovenia, including opening some 10 shopping centres in major Slovenian cities, which would increase its market share to 15 per cent from the current estimate of 3 to 5 per cent.

Chemicals and pharmaceuticals

The Slovenian chemical industry ranks among the most developed and best performing sectors in the country. Its weight is considerable as it makes up some 5.5 per cent of all employment and creates some 9.5 per cent of profits in the Slovenian economy. The sector covers an extremely varied range of activities, the manufacture of pharmaceuticals, rubber and paint products being the most important. As a general trend, the largest companies are working on forming and/or strengthening co-operation with strategic foreign partners as well as with domestic competitors, and are also consolidating their export and production activities in the region, primarily in the former Yugoslav republics.

Pharmaceuticals

The two leading Slovenian pharmaceutical producers, Krka and Lek, are among Slovenia's largest and most important companies. Both firms are highly export-oriented and have a very good reputation not only in the region, but also in global pharmaceuticals markets. The industry's sales strategy is oriented towards five equally important geographical regions: Slovenia, CEFTA, the countries of former Yugoslavia, the former Soviet Union, and the rest of the world, most importantly the US and western Europe.

Krka, the larger of the two, continued to report good sales performance in all regions in 2000. The highest growth was registered on west European markets and the countries of the former Soviet Union. In the first half of 2000, Krka sold 23 per cent of output at home and exported the rest. In 2000, Krka made steps to regain its former strong presence in the Russian market through serious investments. In April 2000, the company started building a US$ 20 million factory near Moscow that plans to start full operations in 2002 or 2003 and could make products worth a total of US$ 20-30 million per year. Following the Russian financial crisis, Krka's 1999 Russian sales fell to US$ 25 million from US$ 60 million in 1998, but sales in the first half of 2000 already showed a rapid recovery.

Lek, the second largest manufacturer, underwent important developments in 2000, as its joint venture with the second largest French pharmaceutical firm Sanofi-Synthelabo started its operations. The co-operation of the two companies, which are reported to have a complementary product range, would help Sanofi to distribute its products in south-eastern Europe and Lek to intensify its presence in western Europe. The joint venture will initially import, manufacture, register and market the French company's products in Slovenia and Croatia, with plans to expand to Bosnia and Herzegovina, Albania and FYR Macedonia in the future. The two companies expect to reach joint sales of US$ 4.83 million by 2002 and their management sees a joint stock company formed in 2000 as a potential first step towards closer co-operation. In line with its regional plans, in autumn 2000, Lek opened a large business centre for south-eastern Europe in the Macedonian capital, Skopje, serving countries in the region.

Another leading chemical company, Helios Domzale dd, is primarily involved in paint production. The company's main strategy in 2000 was to consolidate its sales and production network abroad, to reorganise its chemical factory in Domzale and to strengthen its linkages with other Slovenian and foreign chemical industry companies. A new joint venture formed by Helios and PPG Industries Inc. (US) started operations in the first quarter of 2000. The company produces and sells car coatings. PPG is among the world's three largest transport industry coating manufacturers.

Tyre manufacturing

Tyre manufacturing is the other important sub-sector of the chemical industry. Leading rubber and tyre producer Sava is among Slovenia's most successful companies. After undergoing privatisation, Sava was registered as a joint stock company with approximately 42,000 shareholders. 1998 marked the start of a strategic partnership between Sava and Goodyear, the US tyre-making giant. Two joint ventures were established: Sava Tires, where Goodyear holds 60 per cent and Sava 40 per cent of the stock, and Goodyear Engineering Products Europe where Goodyear has a 75 per cent stake. This partnership has brought technological modernisation and a global market to the Slovenian tyre industry. By investing US$ 120 million into the two joint ventures since 1997, Goodyear has become Slovenia's largest foreign investor. Between 1997 and 2000, around 5 million new tyres have been produced, most of them under Sava brand names. The tyres are exported to 75 countries world-wide and Goodyear is incorporating the Sava brand into its global approach. Goodyear plants located in Poland and Turkey are also producing Sava tyres.

Sava expanded its activities at home and abroad with some important acquisitions and partnerships in 2000. The company acquired a majority stake in chemicals wholesaler Chemo Ljubljana and a shareholding in trading company Astra Ljubljana. In autumn 2000 the company issued a bid to purchase shares in Slovenian chemical company Color Medvode.

Slovenia has one **oil refinery**, Nafta Lendava, which supplies about 30 per cent of the country's requirements for petroleum products. The facility is jointly owned by Slovenian oil company Petrol (55 per cent) and the state (45 per cent). Following heavy losses in 1999, the refinery is about to receive some fresh capital from its owners. The contract signed by the government and Petrol stipulates that the state will provide subsidies of SIT 800 million and Petrol will write off debts to the value of SIT 900 million.

Textiles and footwear

In 2000, Slovenia took important steps to restructure its textile and footwear industry. The initiatives are largely government driven and financed, but several companies are using foreign capital including EBRD financing for restructuring (See *Case study* below.). The sector forms an important part of the economy as it accounts for around 9 per cent of total manufacturing output, but experienced difficulties in the late 1990s. The largest companies have been running long-term contractual agreements with large foreign labels such as Adidas, Bogner, Hugo Boss (all Germany) and Benetton (Italy), but profitability has declined over the last few years.

These problems are to be addressed by the new restructuring programme that started operating in the first quarter of 2000 under the lead of the Ministry of Economics. The programme concentrates on improving marketing strategies, technology and human resources, but it also includes various pilot projects designed to modernise production. In 2000 alone, 60 per cent of all companies are expected to take part in the programme. The restructuring will help the sector to adapt to the rules and conditions of the EU Single Market. The programme is being run with the agreement of the EU, which has accepted the government's view that the industry needs special state intervention and subsidies.

EBRD support to Yulon textile company

In support of the restructuring and expansion of Slovenia's textile industry, since 1995 the EBRD has made three investments in yarn producer Yulon, with total debt and equity financing commitments of € 42 million.

Yulon is owned by strategic investor the Bonazzi Group (Italy), which acquired the company in 1995, and produces nylon yarns, mainly for the textile and carpet markets. Following the implementation of a phased investment programme supported by the EBRD and Bonazzi, Yulon has become one of the fastest growing Slovenian companies and ranks thirtieth in the country in terms of total net profit and sixteenth in terms of total exports. The company has invested in modern facilities and is considered the strongest importer of technology and know-how in Slovenia's textile sector. It has also successfully shifted its sales focus to west European markets, principally to Italy and the Benelux countries.

The latest facility awarded by the EBRD is a seven-year syndicated € 15 million loan signed in July 2000, with the participation of Bank Austria Aktiengesellschaft. The loan will enable Yulon to increase its spinning capacity and invest in a new twisting and heat-setting plant.

The project illustrates the continuing successful restructuring of an enterprise supported by a strong foreign strategic partner and is expected to have a positive demonstration effect for other Slovenian enterprises in the textile sector who are considering seeking private investment for their restructuring.

In addition to relying on government-led programmes, some companies are also benefiting from foreign partnerships and FDI for restructuring and modernisation, following the example of the chemical and pharmaceutical companies.

Alpina, the largest footwear manufacturer, is an example of a company that has managed to restructure successfully through attracting FDI and expanding on new and traditional foreign markets. Alpina has been operating as a joint-stock company since 1995, and focuses on the production of sport and fashion shoes, exporting over 80 per cent of its production, some 70 per cent of which goes to the west. In recent years, Alpina has been actively expanding in south-eastern European markets. It has an extensive retail network in the region, with numerous outlets in Slovenia, Croatia, Bosnia and Herzegovina and Hungary. The latest Alpina shop to be opened is in Sofia and the company plans to establish new ones in three other Bulgarian cities.

Transport

Given Slovenia's central geographic location, transport is important to the economy. Pan-European Transport Corridors V and X go through Slovenia. Corridor V, which begins in Barcelona, crosses France and Italy, and then runs north-east from the Slovenian coast through Ljubljana to Kiev. Corridor X starts from ports in the Netherlands, moves across western Europe, and runs north-south across Slovenia before continuing on to Thessaloniki via Belgrade. Government managed motorway and railway development projects, increased cross-border co-operation between Slovenia, Hungary and Italy and related EU infrastructure investments are all helping Slovenia to become a vital trading and transport hub for central and south-eastern Europe. According to the latest EU Progress Report, Slovenia is to a large extent able to meet the requirements of the transport *acquis*. A large part of the legislative framework is in place with the exception of legislation in the aviation and maritime sectors, which is still undergoing the parliamentary process. The reorganisation of the state railways is another requirement.

Roads

Over the last few years, Slovenia has been implementing an ambitious motorway development plan, concentrating on rebuilding Corridors V and X into four-lane motorways and upgrading secondary roads linking the main motorways with the countryside. The total programme will have an estimated cost of US$ 4.6 billion. The main source of financing is a special tax included in the retail price of petrol, which is expected to raise SIT 28 billion (€ 129 million). The rest is being collected from motorway tolls, domestic and foreign bonds, and EIB and EBRD loans. In 1994 the EBRD provided loans totalling over US$ 32.1 million for the motorway construction programme, which is co-ordinated by DARS, a state-owned company responsible for road management and construction. EIB lending to motorway projects in Slovenia totals € 555 million. The latest facility was a loan of € 160 million to DARS to finance the last section of the European E 70 motorway between Ljubljana and the port town of Koper on the Adriatic coast awarded in November 1999.

The latest progress report of the EU concluded that Slovenia is, to a large extent able to meet the requirements of the EU transport *acquis*. A large part of the legislative framework is in place. The horizontal issues of transport raise no particular concern in the case of Slovenia, and in land transport, progress towards alignment is already well under way.

Port of Koper

The Luka Koper – Port of Koper is the only maritime cargo port in Slovenia and one of the most dynamic ports of the Northern Adriatic. The south European transport route via the Port of Koper represents the shortest link between central and eastern European markets and overseas. The Port of Koper is a multipurpose port: it provides cargo handling, warehousing, distribution and value-added services. The total area of the Port of Koper has a status of a Duty Free Zone. Besides Slovenia the Port of Koper covers a major part of overseas trade flows from Austria and Hungary and services numerous customers from the Czech Republic, Slovakia, Italy, Croatia, Bosnia and Herzegovina, Yugoslavia and other central and eastern European countries. This service requires appropriate logistics support, and therefore the future development of the Port of Koper depends on the realisation of projects oriented towards modern and efficient rail, road and information links.

Koper has been steadily growing in the last few years. In the first eight months of 2000, its shipments were 10 per cent and profits 5 per cent larger than in the same period in 1999. Around SIT 1.8 billion has been invested in real estate, equipment and other projects in recent years.

A dynamic partnership is developing between Koper and the neighbouring Italian port of Trieste. In July 2000, the Slovenian and Italian authorities signed an agreement on co-operation between the two ports. In February 2001, the Port of Koper took over a concession on the 7th Pier (container terminal) in the Port of Trieste.

Railway

Railways come second after roads as a means of passenger and cargo transport. The country has 1,201 kilometres of railway track, of which 499 kilometres are electrified. Since the early 1990s, there have been some major development initiatives designed to improve railway quality. The state railway company, Slovenske Zeleznice (SZ), has made several investments to improve the conditions of its rail network. In 1993, the EBRD contributed to the programme of rail construction and improvement with loans worth US$ 15.2 million and DM 60.3 million.

Priority in Slovenia's rail transport development is being given to the Pan-European Transport Corridors V and X. The last missing part of the Pan-European Transport Corridor V, which links Slovenia directly to Hungary, was completed in December 2000. This link represents the shortest rail connection from central Europe to the Adriatic and Mediterranean Seas and enables countries of the region to make greater use of the Slovenian port of Koper.

Aviation

Slovenia has three international airports: Ljubljana, Maribor and Portoroz. The national carrier is Adria Airways, which has been improving its performance over the last few years. In the first eight months of the year, there was a 15 per cent increase in passenger numbers and an 18 per cent increase in cargo compared with the same period in 1999.

Tourism

Slovenia attaches special importance to the development of its tourist industry. The country offers diverse opportunities for visitors all year round. Its alpine slopes have a wide range of well-managed ski centres and offer recreation opportunities throughout the year. The Adriatic sea coast is ideal for summer tourism as well as cultural vacations, with its mediaeval towns of Piran, Izola and Koper. Some 200 museums and museum collections, 300 castles and manor houses and many churches and monasteries are also of interest to heritage tourists.

Slovenian tourism today is making a steady transition from post-independence crisis to revival and restructuring. It employs 16,000 people and contributes 6.8 per cent of GDP, according to World Tourism Organisation methodology. 2000 was the best year for tourism since the start of Slovenia's independence. Some 1 million foreign and 860,000 domestic tourists were registered in 2000. There were 6.7 million overnight stays, an increase of 11 per cent over the year before. According to Bank of Slovenia statistics, the total foreign exchange income from tourism in 2000 amounted to almost US$ 1 billion, while the income of the hotel industry increased by 13.88 per cent and amounted to around US$ 100 million.

The sector has high priority for the government, which devotes substantial resources for information and promotion and for the improvement and extension of services. In the year 2000 SIT 1.2 billion was earmarked for promotional activities by the Slovenian Tourist Board. Slovenia's strategy for tourist promotion focuses on the key markets, namely Germany (23 per cent), Italy (19 per cent), Austria (15 per cent), Croatia (7 per cent), UK (4 per cent) and the Netherlands (4 per cent).

Slovenia is in the process of establishing an integral computer-supported tourist information system that offers access to general information on Slovenia's tourism services as well as to booking services. The project is being launched within the framework of the Phare CBC Programme Slovenia-Austria and is due to be finished in March 2001.

Financial sector

Over 1999-2000, Slovenia made important progress in developing its regulatory framework for financial markets and institutions. The new Banking Act brought Slovenian banking regulations largely into alignment with the EU acquis. Slovenia also scheduled two large banks for privatisation and the sector is expected to consolidate through mergers in 2001. Another major development was in the insurance sector, which was opened up to foreign investors.

Banking sector

Slovenia has a highly developed banking sector, with total bank assets amounting to approximately 79 per cent of GDP at the end of December 2000. As at 31 December 2000, there were 25 banks, three savings banks and 66 savings and loan undertakings operating in Slovenia.

The sector is highly concentrated, with the two largest banks, Nova Ljubljanska banka d.d. (NLB) and Nova Kreditna Banka Maribor d.d. (NKBM) jointly accounting for approximately 40 per cent of total banking assets over the last six years. NLB and NKBM are state owned (83 per cent and 90 per cent respectively) since being placed in the bank rehabilitation programme in 1993. There are two other banks with state ownership. The state owns a 21.6 per cent stake in Slovenska investicijska banka (Slovenian Investment Bank) and Poštna banka Slovenije d.d. (Slovenian Post Office Bank) is indirectly in state hands.

The remaining banks are privately owned. Ten are owned by domestic shareholders and six are either completely owned or controlled by foreign shareholders. There are also four subsidiaries of foreign banks (Bank Austria Creditanstalt d.d. Ljubljana (Austria), Volksbank-Ljudska banka d.d. (Austria), Banka Societe Generale Ljubljana d.d. (France), and Hypo Alpe Adria Bank (Austria)) operating and one branch office of Kaerntner Sparkasse AG (Austria), Klagenfurt, called Podruznica v Sloveniji.

Consolidation in the Slovenian banking sector is an ongoing process and the number of mergers and acquisitions is expected to continue to grow. NLB, the largest Slovenian bank, is planning to acquire three banks that are currently members of its banking group by the end of June 2001. In addition, Societe Generale (France) was recently given authorisation by the Bank of Slovenia to acquire a qualifying holding in excess of 50 per cent of capital in SKB banka, Slovenia's third largest bank in terms of total assets. Societe Generale is planning a merger between its Slovenian subsidiary and SKB banka by the end of 2001.

Total assets, growth rates and market shares of seven largest Slovenian banks

Banks	**SIT millions** Total assets		**%** Nominal growth		**%** Market share	
	31 Dec 1999	31 Dec 2000*	1999/1998	2000/1999*	31 Dec 1999	31 Dec 2000*
NLB	752,343	930,279	16.0	23.7	28.0	28.9
NKBM	321,813	370,547	12.9	15.1	12.0	11.5
SKB banka	307,637	325,648	9.4	5.9	11.4	10.1
Banka Koper	167,905	199,250	22.4	18.7	6.2	6.2
Abanka	149,301	188,047	21.2	26.0	5.6	5.8
Banka Celje	155,712	185,725	15.3	19.3	5.8	5.8
Gorenjska banka	130,310	159,670	20.6	22.5	4.8	5.0
Total – top 7 banks	*1,985,022*	*2,359,166*	*15.5*	*18.8*	*73.9*	*73.4*
Total – all banks	**2,687,600**	**3,214,598**	**14.3**	**19.6**	**100.0**	**100.0**
NLB Banking Group	1,041,409	1,457,345	25.5	39.9	38.7	45.3
Subsidiaries and branch office of foreign banks	129,158	174,392	13.0	35.0	4.8	5.4

Figures as at 31 December 2000 are interim figures.
**Figures including NLB branch in Italy.*
Source: Slovenian Ministry of Finance

Bank restructuring and privatisation

The rehabilitation process of the banking system started in 1993, focusing initially on the two largest banks, Ljubljanska banka and Kreditna banka Maribor. Around 90 per cent of assets and liabilities were moved from these two banks to two newly established entities, namely the Nova Ljubljanska banka and Nova Kreditna banka Maribor. The rehabilitation process was successfully completed in mid-1997, by which point their capital adequacy and liquidity had greatly improved. Their return on equity and assets are now above the average for the Slovenian banking sector.

The first phase of privatisation was launched in April 2000, based on a government decision adopted in 1999. In April 2000, a 10 per cent state holding in the two banks was swapped for the shares of enterprises owned by the Capital Company of Pension and Disability Insurance (Kapitalska druzba d.d.) and by the Slovenian Compensation Company (Slovenska odskodninska druzba d.d.).

The privatisation of the remaining state holdings in the two banks did not take place in 2000. The Ministry of Finance plans to prepare a detailed privatisation scenario for both banks by the end of March 2001. On this basis, further consolidation of the NLB banking group is foreseen in 2001, as well as gradual privatisation of both banks. By privatising the two biggest Slovenian banks, the government aims to achieve a sound ownership structure and contribute to the greater effectiveness and competitiveness of the whole Slovenian banking sector.

Recent legislative reforms

Over 1999-2000, Slovenia made important progress in developing its regulatory framework for financial markets and institutions. The new Banking Act that was enacted in 1999 brought Slovenian banking regulations almost fully into alignment with the EU *acquis*. In 2000, the implementation of the new Act progressed, with banks taking action to submit reports to the Bank of Slovenia in accordance with the provisions of the new Act. An important innovation in Slovenia's banking system is a new deposit guarantee scheme, which became effective on 1 January 2001. In February 2001 the Bank of Slovenia issued an amendment to the decree on calculation of own funds, capital requirements and capital adequacy of banks and savings banks and thus assured the full transposition of the relevant EU directives into Slovenian legislation.

In the context of the EU accession process, the legislation on the central bank is under revision. A draft of the new Bank of Slovenia Act was submitted to Parliament in summer 2000. In comparison with the current legislation, the new law will give the central bank even greater institutional (financial) independence, as well as personal independence for members of the Governing Board. Adoption of the act is scheduled to take place before the end of 2001.

Non-bank financial institutions

The Ljubljana Stock Exchange (LjSE) has two securities trading sections. The official market is for fully qualifying stocks and bonds that meet the highest accounting standards. The free market is an unofficial market where listing requirements are less stringent. Due to a quite simple admission procedure and to the fact that trading of shares can start as soon as they are registered in the central depository, most shares from privatisation are currently traded on this market.

The Securities Market Agency was established by the Securities Market Act in March 1994. Through the introduction of the new

Capital market development

	1992	1993	1994	1995	1996	1997	1998	1999	2000
Number of share issuers[1]) – end of period	8	16	19	27	52	85	90	130	149
Market capitalisation of shares – end of period[1]) (SIT millions)	2,537	18,593	31,384	40,477	124,990	315,945	483,037	566,461	705,092
Share turnover[2]) (SIT millions)	428	38,837	53,352	45,222	67,081	87,555	133,757	168,422	145,325
Turnover velocity[3])	0.10	3.68	2.14	1.26	0.81	0.40	0.33	0.32	0.36
Slovenian Stock Index (SBI) – end of period	-	1,018.2	1,396.8	1,448.75	1,183.26	1,404.70	1,705.77	1,806.26	1,807.94

1) excluding closed-end investment funds
2) single counted
3) figure applies for the whole market (shares, bonds and closed-end investment funds), annualised for the first half of 2000
Source: LjSE

Securities Market Act (1999), the agency has been granted additional competencies with regard to supervision, as well as an obligation to co-operate with other supervisors of financial institutions both on a national and international level.

The new Securities Market Act that became effective in July 1999 and was supplemented with secondary legislation adopted in January 2000 largely opened up the market to international involvement and brought the regulation of financial markets in line with the provisions of the *acquis communautaire*. The new Act permits foreign stock brokerage companies to establish branches in Slovenia, and assures full national treatment to foreign persons when establishing a subsidiary or acquiring shares in existing Slovenian stock brokerage companies. Other important changes include an increase in the minimum capital requirements of stock brokerage and stricter rules on secure and prudent management.

The Slovenian Stock Exchange Index (SBI) has been performing well over the last years. It even maintained its value in 1998, at a time when many emerging-market bourses were affected by the Asian and Russian crises. The stocks with the highest liquidity are Krka and Lek (pharmaceuticals), Petrol (oil products), Mercator and Merkur (both retail trade).

In 2000, total turnover exceeded the record high 1999 turnover by 1.5 per cent in SIT terms. It amounted to SIT 269.62 billion (€ 912 million). The market capitalisation of shares listed at the end of October 2000 reached € 4.1 billion. The market capitalisation of shares of all listed companies at the Exchange at end of October 2000 represented 17.6 per cent of GDP as recorded in 1999. The number of listed stock issues increased from 130 to 154. Liquidity on the stock exchange is expected to rise with the planned reform of pensions, relaxation of capital controls and the eventual privatisation of larger state-owned assets.

Insurance

Through the adoption of a new Insurance Act in January 2000, Slovenia made substantial progress towards liberalising its insurance sector and aligning it with the *acquis*. The main innovations implemented under the act are as follows:

- A framework for safe and prudent provision of insurance services was established.
- Restrictions on FDI in the insurance sector were removed. The act lifted restrictions on the establishment of subsidiaries and branches of foreign companies. Reinsurance of risk exposures with foreign insurers is also permitted under the new legislation.
- Several changes were made to insurance supervision. An independent insurance regulator, the Insurance Supervisory Agency, was established in June 2000. The agency is no longer attached to the Ministry of Finance, but is an independent legal entity. It has a wide scope of competence and is able to take faster and more effective measures than before in cases where insurance companies are affected by insolvency, non-liquidity or a drop in financial standing. The Insurance Act authorises the insurance supervision authority to issue all secondary legislation based on the Act.

Another important legislative development is the act on the privatisation of insurance companies adopted in January 2000, and currently being reviewed by the Constitutional court. The law envisages the transformation of insurance companies into joint stock companies through the transfer of funds to the following institutions: Pension Fund Management (20 per cent), Slovenian Compensation Company (10 per cent) and Fund for the Repayment of War Damages (10 per cent). The remaining 60 per cent will remain in state hands.

At the end of September 2000, the Slovenian insurance market consisted of 11 insurance and three reinsurance companies. High market concentration is characteristic for the sector. The largest insurance company, Triglav, covers around 40 per cent and the largest three around 78 per cent (Triglav, Maribor and Adriatic).

As a preparation for the opening of the market to foreign competition, Slovene companies have undergone a series of mergers and have expanded in foreign markets in the last years. Zavarovalnica Maribor merged with Tilia at the end of 2000, creating the second largest insurance group. The merged company, whose share capital is estimated at SIT 2.53 billion (€ 12 million) is expected to reach a 20 per cent market share in the next three years. Secondly, the Slovenica and Adriatic insurance companies are expected to finalise their merger in 2001. To overcome the constraints resulting from the small size of the Slovenian market, Triglav has made strong advances into foreign markets. The company is present in Croatia, FR Yugoslavia and the Czech Republic.

EU / EBRD finance facility to support Slovenian SMEs

In 2000, the EBRD extended its regional small and medium-sized enterprise (SME) finance facility (created in co-operation with the EU Phare programme) to Slovenia. The facility provides loans and equity finance to financial intermediaries in order to facilitate the expansion of lending to SMEs in Slovenia. In 2000, a € 5 million credit line under the SME facility was approved to each of the two Slovenian participating banks, Nova Kreditna Banka Maribor and Banka Koper.

The SME facility has been in existence since 1999 and was designed to work in all of the 10 EU applicant countries. The EBRD's initial contribution was € 50 million to the loan window and € 25 million to the equity window, and was extended by € 75 million to the loan window in April 2000. The EU's contribution totals € 50 million. Due to the success of the first phase of the project, a second phase was approved by the EBRD in September 2000. Phase 2 consists of a further € 150 million loan window.

The project aims to support the growth and development of private sector SMEs by creating access to term loans or equity. It will also establish new business financing practices in financial intermediaries, enabling them to acquire more experience in dealing with SMEs and creating a revenue stream. Medium-term funds are only available to SMEs in rare cases. The project will help to address this limitation and will also create employment opportunities in the private sector.

EBRD activities in Slovenia

As at 31 December 2000, the European Bank for Reconstruction and Development (EBRD) had signed 26 projects in Slovenia totalling € 348.1 million in Bank funding, with a total project value of € 794.0 million. Twenty-one operations were in the private sector (€ 174.4 million) and five in the public sector (€ 173.7 million). As the single largest institutional provider of foreign capital to Slovenia, the EBRD will concentrate in future on private sector initiatives in the industrial and infrastructure sectors.

Overview of EBRD activities and key objectives

Slovenia is one of the most advanced transition countries, enjoying the highest credit rating in the region. It is also one of 10 countries that have started negotiations for accession to the European Union (EU). There is a strong overlap between the requirements of transition and the steps required to prepare for EU accession. However, Slovenia still faces significant challenges, including industry restructuring, privatisation of its largest banks and major public utilities, liberalisation of foreign capital regulations, and development of a local capital market.

The EBRD aims to undertake investments that advance Slovenia's transition towards a market economy. This will have the added benefit of facilitating the country's accession to the EU. This is reflected in the Bank's strategy for Slovenia, which foresees a number of projects to support the private sector in the areas described below. The EBRD's resident office in Ljubljana plays a critical role in the origination and monitoring of a growing number of projects, particularly in the local private sector.

Private corporate sector

The EBRD will provide direct funding for locally owned and joint-venture companies, with special emphasis on equity and quasi-equity investments and on mobilising co-financing. Where investment conditions allow, the Bank will select higher-risk projects and play a leading role in the restructuring of specific medium to large-scale companies. The EBRD also supports good and transparent corporate governance for newly privatised companies in Slovenia. The Bank's presence as a foreign institutional investor or along with a foreign sponsor will have a strong "demonstration effect".

Infrastructure

The EBRD will contribute to the mobilisation of private capital to finance public infrastructure by developing suitable concessions and project finance structures. The Bank will foster the development of an adequate regulatory framework and new financing techniques. Particular attention will be devoted to municipal infrastructure.

SME support and financial sector development

The EBRD will consider further direct investments in the local banking system to promote privatisation and encourage further consolidation of the sector. The Bank will also promote the privatisation of the insurance industry. The support of small and medium-sized enterprises (SMEs) through financial intermediation will be extended further, particularly through the SME credit line facility.

Signed and approved projects as at 31 December 2000

Drava River hydropower project

In April 1993, the EBRD made a DM 142.6 million loan (its first to Slovenia) to upgrade three hydroelectric power stations and five switchyards, and to build an automatic control centre forming part of the Drava river hydroelectric power chain. The total project cost was DM 250 million.

Slovenske Zeleznice – Slovenia Railways

The EBRD made a second public sector loan in July 1993 of US$ 15.2 million and DM 60.30 million, to Slovenia Railways to improve the condition of its core rail network serving both domestic and international transit traffic. Total project cost was € 108 million, including US$ 44 million from the European Investment Bank, US$ 8.4 million from Slovenia Railways and US$ 1 million from technical cooperation funds.

Eurovision RTV Slovenia

Slovenia was one of 15 central and eastern European countries to benefit from the extension of the Eurovision network. In July 1992 the EBRD granted credit of € 11.5 million to help finance the design, supply and installation of earth stations in each of the countries, enabling them to be linked to the Eurovision network by satellite. Slovenia borrowed US$ 1 million for the partial financing of one transmit-and-receive earth station.

SKB Banka d.d.

The EBRD extended a loan of DM 50 million to SKB Banka d.d., one of Slovenia's largest banks, in February 1994. This was used to fund SKB Banka's sub-loans for capital investment projects, start-up working capital and acquisition of shares in companies undergoing privatisation. In December 1994 the EBRD took a minority shareholding in SKB Banka for € 14.9 million to contribute to SKB Banka's institutional development and to strengthen its capital base, helping it to be a significant force in the restructuring of the banking sector. In August 1999 the EBRD extended a loan of € 10 million to support SKB Banka to further develop its housing loan activities.

National Road Administration / DARS Company for Motorways

In June 1994 the EBRD made a road improvement loan of US$ 30 million to the National Road Administration to finance a highway project to remove major bottlenecks in the main east-west corridor. This followed on from a loan made in May, of US$ 32.1 million, to the Company for Motorways in the Republic of Slovenia (DARS). Together, these loans have contributed to a balanced programme of road construction and improvement, which was fully implemented by the end of 1996.

Aquasava 1 and Aquasava 2 Textiles

Aquasava is a textile company incorporated in Slovenia and majority-owned by Italy's La Torre Finanziaria, the operating company of the Bonazzi Group. In June 1994, the EBRD made a loan to Aquasava of DM 9.1 million. The loan (known as Aquasava 1) – the first to Slovenian private industry – allowed this formerly state-owned company to establish a modern cotton, polyester and nylon processing operation for export to Italy and western Europe. The total project cost is DM 24.65 million, including equity and debt, with long-term debt being provided by Mediocredito Centrale as well as the EBRD.

Aquasava 2 is effectively a continuation of the existing Aquasava 1. The EBRD made a loan of ITL 3 billion, as well as an equity investment of ITL 7 billion, with the following objectives: (i) investing in equipment that will increase Aquasava's competitiveness in the cotton spinning sector; (ii) increasing the production capacity of woven cotton products; and (iii) expanding the production capacity of woven polyester and printed products.

Horizonte Fund

In July 1994, the EBRD invested in Horizonte Fund, a venture capital fund designed to provide capital and management assistance to recently created private companies in Slovenia. The total size of the fund is ATS 116 million, with the EBRD taking an interest of € 3 million. The sponsor for the Fund is Horizonte Venture Management GmbH, an Austrian-American venture management group.

Slovene Development Capital Fund

The Slovene Development Capital Fund (SDCF) is the first equity fund in Slovenia to focus on medium-scale enterprises which have been privatised or which are already established as private companies in need of additional long-term financing. The Fund totals US$ 20.5 million and began its operations in June 1995.

The EBRD and the International Finance Corporation (IFC) have committed 50 per cent of the funding, with the EBRD investing US$ 5.25 million. In addition, the SDCF has attracted a broad base of international investors, as well as strong investor support from the Slovene financial and business community.

Special Restructuring Programme (SRP)

In May 1995 the EBRD signed two framework agreements under the Slovene Special Restructuring Programme, which represents a commitment to making equity investments that promote the stabilisation and restructuring of Slovene enterprises. The Programme has invested in Metalflex, a company specialising in electric materials. Technical cooperation funds have been provided by several donors, including EU Phare.

Yulon 1, Yulon 2 and Yulon Expansion

In November 1995 the EBRD granted a loan of DM 24 million to the Yulon textile mill (Yulon 1), to help finance the privatisation, restructuring and modernisation of the company. The loan is part of a DM 110 million project to privatise and restructure Yulon. In the first phase the Bonazzi Group (Italy) acquired 57 per cent of Yulon in March 1995 with a capital increase of DM 26 million, which was used to restructure the company's short-term debt. The EBRD loan will be used to modernise the processes involved in nylon production.

Yulon 2 consists of an EBRD equity investment of DM 10 million, representing 17.9 per cent of Yulon's capital. This project helped finance the purchase of equipment. This will increase Yulon's competitiveness by upgrading the polymerisation and nylon sections, so that they can produce texturised filaments. The investment will also help expand the production capacity of the carpet yarn sector.

Lending further support to the expansion of Slovenia's textile industry, the ERBD provided a syndicated loan of € 15 million, including € 9.5 million on its own account, to Yulon in July 2000. The seven-year loan will enable Yulon to increase its spinning capacity and to invest in a new twisting and heat-setting plant located in one of the less developed regions of Slovenia.

Merkur d.d.

Merkur d.d., a Slovenian wholesaler and retailer of technical products, construction material, iron products and electrical goods, was transformed into a joint-stock company in 1994. This project consists of an equity investment of DM 23.56 million by the EBRD (representing 19.14 per cent of the company's capital) as well as two long-term loans provided by DEG and Société Générale, each for DM 15 million. The proceeds of the transaction were used to finance the construction of four new stores and to provide permanent long-term working capital, which allowed the company to refinance some of its expensive short-term loan facilities.

Alpina

Alpina d.d. is the largest shoe manufacturer in Slovenia. Its production comprises fashion and sport shoes. The company had revenues in excess of DM 74 million in 1999 and employs over 1,200 people. The total EBRD financing is DM 11.5 million: DM 8 million as a long-term loan and DM 3.5 million as equity. The objective of the transaction is to support the restructuring of the company with the help of external specialists. Alpina has begun implementing a restructuring plan aimed at improving efficiency, increasing the retail network, reducing working capital needs, and expanding market share in key markets.

Papirnica Kolicevo (now Kolicevo Karton) 1-2

In December 1994, the EBRD made a loan of DM 19.6 million and an equity investment of DM 5 million to Papirnica Kolicevo, the only producer of cartonboard in Slovenia and one of the largest in central and eastern Europe. The company, formerly state-owned but acquired by Sarrio S.A. of Spain in 1992, mainly produces multilayer coated carton-board that is based mostly on recycled paper. This product is used for both food and non-food packaging. The loans helped modernise the company and restructure its liabilities. The Sarrio Group was taken over by an Italian-Austrian partner at the beginning of 1998.

Slovenski Plinovodi gas project

Slovenski Plinovodi, a private sector company in the gas sector, was given an EBRD loan of DM 15 million in July 1995, which enabled it to build and operate six retail gas distribution systems in Slovenia. Six municipalities have granted concessions to the company to build, own and operate the distribution systems. Slovenski Plinovodi was established in 1992 by Dondi, a family-owned group of companies based in Italy with international operations in civil engineering, construction and gas distribution. The loan was fully repaid in 1998.

Poslovni Sistem Mercator

Mercator was established in 1949 as a supplier of fresh foods and groceries. By 1984, Mercator totalled 132 subsidiaries, ranging from core retail operations of over 1,000 stores to hotels and food processing plants. Its holding company, Poslovni Sistem Mercator d.d., was formed and registered in 1990 with a view to privatisation. By October 1995 it had consolidated its activities into 49 subsidiaries. After privatisation, the company management began to define a four-year restructuring plan. An EBRD loan of € 3.8 million was provided to expand and modernise Mercator's retail and wholesale operations.

Maribor waste-water concession

The EBRD is providing a € 14.8 million loan to finance the construction of a waste-water treatment plant in Maribor, Slovenia's second-largest city. The project will have a positive environmental impact since municipal waste water from the city is currently discharged untreated into the Drava River. The EBRD loan has been extended to Aquasystems d.o.o., a private company, which will finance, construct and operate the waste-water treatment plant for 22 years under a build-operate-transfer (BOT) contract with the city of Maribor. Once the BOT agreement has expired, legal ownership and operation of the plant will be transferred to the city. An additional loan of € 13.3 million has been syndicated by the EBRD to participant banks.

Nova Ljubljanska Banka

Nova Ljubljanska Banka (NLB) is the largest bank in Slovenia, dominant in corporate, international and consumer banking. Through its network of subsidiaries and affiliates in Slovenia and abroad, NLB's range of services also includes leasing, factoring, real estate management, forfeiting, consulting and funds management. In July 1999, the EBRD extended a € 15 million subordinated loan as part of the € 30 million syndicated subordinated debt issue.

SME Finance Facility: Nova Kreditna Banka Maribor (NKBM) and Banka Koper

In September 2000, NKBM and Banka Koper, Slovenia's second and fourth largest banks, received each a € 5 million credit line from the EBRD to help promote the growth of the country's small and medium-sized enterprises. Provided under the SME Finance Facility signed by the EBRD and the European Commission in 1999, these are the first credit lines for Slovenian banks. With a five-year maturity, the credit line will allow NKBM and Banka Koper to incorporate SME lending into their ongoing business activities and will provided much-needed term funding to SMEs.

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Signed projects as at 31 December 2000 (in € million), exchange rate as at 31 December 2000

Operation name	Sector	Total project cost	EBRD debt	EBRD equity	EBRD total
Private sector:					
Nova Ljubljanska Banka	Finance	30.0	15	0	15.0
Nova Kreditna Banka Maribor	Finance	5.0	5	0	5.0
Banka Koper	Finance	5.0	5	0	5.0
SKB Banka d.d	Finance	26.1	25	0	25.0
SKB Banka (Equity investment)	Finance	31.1	0	14.9	14.9
SKB Banka (Housing loan)	Finance	10.0	10	0	10.0
Horizonte Fund	Finance	8.4	0	3.0	3.0
Slovene Development Capital Fund	Finance	27.4	0	4.2	4.2
Slovenia SRP – Druzba	Finance	4.7	0	3.6	3.6
Slovenia SRP – Eurofin	Finance	15.5	0	0.5	0.5
Slovenski Plinovodi	Natural resources	7.9	2.3	0	2.3
Alpina	Plastic/rubber products	6.1	4.1	1.8	5.9
Sarrio Slovenia (Papirnica Kolicevo)	Pulp and paper	35.1	10.0	2.7	12.8
Mercator	Retail trade	54.9	3.7	0	3.8
Aquasava I	Textile manufacturing	12.6	4.7	0	4.7
Aquasava II	Textile manufacturing	11.2	1.6	3.6	5.2
Yulon I	Textile manufacturing	59.2	12.3	0	12.3
Yulon II	Textile manufacturing	5.1	5.1	0	5.1
Yulon expansion	Textiles manufacturing	26.0	9.5	0	9.5
Maribor waste-water concession	Water and sewage	41.7	14.8	0	14.8
Merkur	Wholesale trade	33.5	0	12.0	12.0
Subtotal		***456.7***	***128.1***	***46.3***	***174.4***
Public sector:					
Drava River hydro power project	Power and energy	105.6	65.1	0	65.1
Eurovision Network	Telecommunications	1.6	1.0	0	1.0
Slovenia Railways	Transportation	108.1	46.0	0	46.0
East-West Highway – DARS	Transportation	62.0	31.7	0	31.7
National Road Administration	Transportation	6.1	29.9	0	29.9
Subtotal		***337.3***	***173.6***	***0***	***173.7***
Total		**794.0**	**301.8**	**46.3**	**348.1**
of which private					49%
of which public					51%

Notes